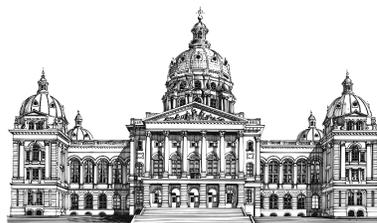


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Student Financial Aid at the Board of Regents Institutions

ISSUE

Comparing the projected student financial aid approved by the Board of Regents with actual amounts expended by the institutions.

AFFECTED AGENCIES

The Board of Regents
University of Iowa
Iowa State University
University of Northern Iowa

CODE AUTHORITY

Section 262.9, Subsection 8, Code of Iowa

BACKGROUND

The Code of Iowa requires the Board of Regents to set tuition increases at the three institutions no later than November for the following academic year. Different rates of increases are set for undergraduate residents and nonresidents, as well as graduate students. Historically, the three institutions set a goal to dedicate an amount from the tuition increase for student financial aid. In theory, this is to assist those students for whom the tuition increase may prohibit them attending the Regents institutions.

The amount of student financial aid is determined by a percentage of student tuition revenues. Each institution uses its own process to predict the enrollment trends and therefore estimates tuition revenues. The institutions set a percentage goal of tuition revenues to be set aside for student financial aid as follows:

- The University of Iowa's goal is 16.0%.
- Iowa State University's goal is 11.0%.
- The University of Northern Iowa's goal is 19.0%.

The above procedure is not incorporated into the budget request that is developed by the institutions, approved by the Board of Regents, and submitted to the Governor for recommendation to the Legislature. The budget recommendation from the Governor does not include any funding increase for tuition increases that might have been adopted by the Board. As a result of this timing, the tuition revenue being considered by the Legislature is understated by the amount of the tuition increase that was adopted by the Board.

This **Issue Review** includes only student financial aid from the general university operating budget and does not include student financial aid received from the College Student Aid Commission, federal government, affiliated organizations, or endowed funds. The calculation for this **Review** subtracts the State appropriation for the Iowa Minority Grants for Economic Success (IMAGES) Program from the student financial aid data within the general university budget. The sources not included in this **Issue Review** are restricted and are accounted by the Regents within the restricted budget rather than the general university operating budget. The **Review** also does not include any monies which the universities may have received from the General Assembly for financial aid for higher education access.

CURRENT SITUATION

Attachment I provides a six-year expenditure history of student financial aid from the general university operating budgets from FY 1990 through FY 1995.

Overall

Reviewing the data from FY 1990 through FY 1995, two of the institutions have provided less student financial aid than the stated goal as presented to the Board of Regents when tuition increases are discussed and less than budgeted for when applying the percentage goal compared to actual tuition revenues. One of the institutions has provided more than the stated goal and more than budgeted for when applying the percentage goal compared to actual tuition revenues.

University of Iowa

The University of Iowa has a goal to use 16.0% of the tuition revenues for student financial aid.

Attachment I shows that:

- The budgeted amount of student financial aid compared to budgeted tuition revenues has ranged from 15.16% in FY 1993 to 15.41% in FY 1992. Using these percentages and multiplying by actual tuition revenues, the actual percentages used for student financial aid from tuition revenues results in percentages between 13.26% in FY 1990 to 14.81% in FY 1994.
- When applying the budgeted percentage to actual tuition revenues, the University of Iowa has not expended \$5.0 million between FY 1990 through FY 1995 from tuition revenues based upon the University's set-aside formula. Annual amounts not expended ranged from \$390,000 in FY 1993 to \$1.5 million in FY 1990.
- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, the University of Iowa has not expended \$8.3 million.

Iowa State University

Iowa State University has a goal to use 11.0% of its tuition revenues for student financial aid.

Attachment I shows that:

- Historically, between FY 1990 and FY 1995, Iowa State has exceeded that goal, with budgeted financial aid compared to tuition revenues ranging between 11.37% in FY 1990 to 15.87% in FY 1995. Using these budgeted percentages and multiplying by the actual tuition revenues, the actual percentages used for student financial aid from tuition revenues resulted in percentages between 11.88% in FY 1990 to 15.97% in FY 1995.
- Applying the budgeted student financial aid percentage to the actual tuition revenues indicates that Iowa State University has exceeded student financial aid budgets by \$975,000 between FY 1990 through FY 1995 from tuition revenues based upon the University's set-aside formula. Annual amounts exceeding the budget ranged from \$542,000 in FY 1993 to underexpending in FY 1994 by \$108,000.
- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, Iowa State University has exceeded the amount by \$12.1 million.

University of Northern Iowa

The University of Northern Iowa has a goal to use 19.0% of its tuition revenues for student financial aid. **Attachment I** shows that:

- Historically, between FY 1990 and FY 1995, the University of Northern Iowa has budgeted student financial aid compared to budgeted tuition revenues between 16.35% in FY 1993 to 18.61% in FY 1990. Using these budgeted percentages and multiplying by the actual tuition revenues, the actual percentages used for student financial aid from tuition revenues resulted in percentages between 14.47% in FY 1995 to 17.24% in FY 1990.
- Applying the budgeted student financial aid percentage to the actual tuition revenues indicates that the University of Northern Iowa has not expended \$1.6 million between FY 1990 and FY 1995 from tuition revenues based upon the University's set-aside formula. Annual amounts not expended ranged from \$100,000 in FY 1994 to \$969,000 in FY 1995. The University exceeded the student financial aid budget in FY 1993 by \$95,000.
- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, the University of Northern Iowa has not expended \$3.8 million.

ALTERNATIVES

The Education Appropriations Subcommittee may wish to consider:

- Requiring the institutions of the Board of Regents to expend the goal amount of student financial aid from the set-aside formula on student financial aid.
- Adjusting the general university line-item appropriation by the amount of funds not expended the previous fiscal year by the institutions for student financial aid.
- Separating the amount with a line-item of its own for student financial aid from the general university budget.

BUDGET IMPACT

The formula for student financial aid set-aside from tuition revenues is an internal Regents commitment and has not been a State mandate in the past. Timing for awarding student financial aid may affect the ability to use 100.0% of what an institution may have available in funding. However for FY 1995, the University of Northern Iowa used only 76.1% of what was available from tuition revenues and the University of Iowa only 91.6%. Not all financial aid is based upon need and it would appear possible to adjust financial awards after the beginning of the school year based upon actual tuition revenues once known in September and January of each school year.

The institutions may use funds from the general operating budgets for student financial aid when providing assistance to teaching assistants or research assistants. This is in exchange for employment and is considered a personnel expense.

The institutions would be affected by the alternatives as it would decrease funds transferred to other categories of expenditure such as building repair or equipment at the end of a fiscal year to thereby eliminating the need for reversion. The alternatives would not impact the State General Fund.

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Regents Historical Financial Aid Data

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
University of Iowa						
Actual Tuition Revenue	\$ 72,568,514	\$ 71,694,219	\$ 75,669,168	\$ 81,600,512	\$ 85,518,543	\$ 92,441,383
Percent of Student Aid goal	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
Goal for Student Aid	11,610,962	11,471,075	12,107,067	13,056,082	13,682,967	14,790,621
Actual aid less IMAGES	9,619,092	9,602,923	10,974,166	11,980,369	12,661,687	13,554,443
Goal for aid not provided	\$ 1,991,870	\$ 1,868,152	\$ 1,132,901	\$ 1,075,713	\$ 1,021,280	\$ 1,236,178
Estimated Tuition Revenue	\$ 72,659,967	\$ 74,625,583	\$ 74,429,341	\$ 81,742,930	\$ 86,050,482	\$ 90,928,482
Estimated aid less IMAGES	11,139,729	11,449,470	11,467,950	12,394,594	13,104,771	13,999,447
Percent of Estimated Tuition	15.33%	15.34%	15.41%	15.16%	15.23%	15.40%
Actual Tuition Revenue	72,568,514	71,694,219	75,669,168	81,600,512	85,518,543	92,441,383
Budgeted Aid based on Act. Tuit.	11,125,708	10,999,724	11,658,980	12,372,999	13,023,761	14,232,375
Actual Aid less IMAGES	9,619,092	9,602,923	10,974,166	11,980,369	12,661,687	13,554,443
Budgeted aid not provided	\$ 1,506,616	\$ 1,396,801	\$ 684,814	\$ 392,630	\$ 362,074	\$ 677,932
Iowa State University						
Actual Tuition Revenue	\$ 62,284,575	\$ 62,704,711	\$ 64,595,167	\$ 70,351,525	\$ 74,601,181	\$ 76,427,525
Percent of Student Aid goal	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Goal for Student Aid	6,851,303	6,897,518	7,105,468	7,738,668	8,206,130	8,407,028
Actual aid less IMAGES	7,398,962	7,675,958	8,704,390	10,168,578	11,119,256	12,204,946
Goal for aid not provided	\$ (547,659)	\$ (778,440)	\$ (1,598,922)	\$ (2,429,910)	\$ (2,913,126)	\$ (3,797,918)
Estimated Tuition Revenue	\$ 63,074,000	\$ 63,723,675	\$ 64,038,344	\$ 71,300,000	\$ 74,793,616	\$ 77,619,572
Estimated aid less IMAGES	7,172,369	7,706,369	8,574,849	9,755,998	11,256,380	12,317,235
Percent of Estimated Tuition	11.37%	12.09%	13.39%	13.68%	15.05%	15.87%
Actual Tuition Revenue	62,284,575	62,704,711	64,595,167	70,351,525	74,601,181	76,427,525
Budgeted Aid based on Act. Tuit.	7,082,601	7,583,141	8,649,409	9,626,218	11,227,419	12,128,072
Actual Aid less IMAGES	7,398,962	7,675,958	8,704,390	10,168,578	11,119,256	12,204,946
Budgeted aid not provided	\$ (316,361)	\$ (92,817)	\$ (54,981)	\$ (542,360)	\$ 108,163	\$ (76,874)
University of Northern Iowa						
Actual Tuition Revenue	\$ 19,485,113	\$ 21,620,493	\$ 23,443,967	\$ 24,310,803	\$ 25,535,257	\$ 26,514,317
Percent of Student Aid goal	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
Goal for Student Aid	3,702,171	4,107,894	4,454,354	4,619,053	4,851,699	5,037,720
Actual aid less IMAGES	3,358,403	3,641,792	3,797,578	4,070,201	4,220,491	3,835,791
Goal for aid not provided	\$ 343,768	\$ 466,102	\$ 656,776	\$ 548,852	\$ 631,208	\$ 1,201,929
Estimated Tuition Revenue	\$ 18,309,802	\$ 20,420,854	\$ 23,000,000	\$ 24,900,000	\$ 25,420,206	\$ 26,353,039
Estimated aid less IMAGES	3,407,832	3,659,623	3,869,240	4,071,800	4,301,145	4,775,110
Percent of Estimated Tuition	18.61%	17.92%	16.82%	16.35%	16.92%	18.12%
Actual Tuition Revenue	19,485,113	21,620,493	23,443,967	24,310,803	25,535,257	26,514,317
Budgeted Aid based on Act. Tuit.	3,626,582	3,874,610	3,943,928	3,975,451	4,320,612	4,804,333
Actual Aid less IMAGES	3,358,403	3,641,792	3,797,578	4,070,201	4,220,491	3,835,791
Budgeted aid not provided	\$ 268,179	\$ 232,818	\$ 146,350	\$ (94,750)	\$ 100,121	\$ 968,542